Venture . . .

Continued from Page 1

mation, as is the capital contribution," Mr. Forbes said in an interview here. He is in Dallas to speak at the National Operations and Automation Conference of the American Bankers Association.

The two institutions expect to shift their video banking services to the new company late this summer. Chemical Bank's Pronto and Bank of America's HomeBanking will retain their own characteristics for the time being, Mr. Forbes said.

Bank of America has 17,500 customers in an open system which can be accessed by any computer capable of transmitting text in the ASCII protocol. Chemical Bank issues special software diskettes to its Pronto customers who number about 23,000. Pronto operates only on the IBM PC family, Apple II line, Macintosh, Commodore 64, Atari line, and microcomputers compatible with these. Altogether, the *American Banker* estimates there are about 58,000 video banking customers in the nation.

Antitrust Angles

Mr. Forbes was asked whether the new joint venture has any antitrust aspects since the two banks enjoy such a large share of the market.

He said that question has been explored. But he pointed out that penetration of the potential market for video banking is small. "I don't believe anything we do in the venture will run us afoul of the Justice Department," he added.

The joint venture, which has not yet been named, will be based in New York. Mr. Forbes said a search for space is under way. Its operating facility will be in Jericho, N.Y., on Long Island where Pronto moved into a new operations center a month ago.

Francis J. Heffron, executive vice president of AT&T Technologies Inc., has been named chairman and chief executive officer of the venture.

"Partner companies will all contribute experience, personnel, technological resources, and financial backing to the new venture," he said in the announcement. "All four companies have extensive and complementary experience in the field of videotex services."

On-Line Brokerage

The home banking portion of the videotex service will include brokerage. Mr. Forbes said Bank of America will offer such a service from Charles Schwab & Co., its discount broker affiliate.

Chemical Bank, he said, will offer brokerage through TradePlus Inc., the Palo Alto, Calif., firm which handles the on-line information and order entry services for a number of discount brokers. It is slated to go onto Pronto early this summer.

Mr. Forbes said Chemical has not announced which broker will be linked into its Pronto service via TradePlus. But he said it will not be George Brown & Co., the discounter affiliated with the bank. Brown, he said, is an active upscale trader, and its clientele is different from Pronto's.

Pronto Link Corp. was formed Jan. 1 as a subsidiary of Chemical New York Corp. to take over Pronto, BankLink, Chemical's electronic customer services, and its shared automated teller machine network.

Administratively, when the joint venture goes live, Pronto simply will be carved out of Pronto Link and shifted over, but it will continue to operate from Jericho. "Operationally, this is a nonevent," Mr. Forbes said.

When they log on, customers will get a welcome screen from the new venture and then be handed off to their bank whose menu may include brokerage if the bank so elects.

Five Pronto licensees already are live with video banking, one of them in full commercial operation — Union Trust Co., New Haven, Conn. Four others are in pilot tests. Another licensee plans to offer the service.

Mr. Forbes said the new venture will furnish Pronto service to these licensees and to others that Pronto expects to sign up.

One other videotex joint venture already has been formed but is not yet live with a service. That is Trintex, whose parents are IBM Corp., CBS Inc., and Sears, Roebuck & Co.

Also, RCA Corp. and Citicorp are discussing a videotex product. J.C. Penney Co. dropped out of the talks.

"Unlike other joint ventures that have been announced, this is going into business with customers from Day One," Mr. Forbes said.

— David O. Tyson

FDIC . . .

Continued from Page 3

real estate industries have contended that the proposal would go too far toward permitting banks to get into businesses historically considered off limits.

In a letter to the FDIC, the American Council of Life Insurance called the FDIC's original proposal "simply a reflection of the FDIC's preferences" in favor of chipping away the wall between banking and commerce. "As such," the council said, it "is not a proper exercise of rulemaking authority .... Matters of national banking policy must be left to legislative bodies and not to regulatory bodies." ■

Commerce Bankshares Merging Several Banks Under National Charters

By MARYN McKENNA

CHICAGO — A plan to switch state-chartered banks to national charters will reduce Commerce Bancshares Inc.'s holdings to 26 banks by June 30.

The $4.5 billion-asset Missouri holding company currently has 36 subsidiaries operating in 107 locations, down from a high of 50 original charters.

The plan takes advantage of a 1983 Missouri law that allows holding companies to merge existing banks and retain all their branching rights. Prior to 1983, Missouri's unit banking law had allowed a maximum of two branches per bank.

Commerce recently announced that it would switch nine state banks to national charters and would merge eight state and four national banks in St. Louis County to create the new Commerce Bank of St. Louis County from the former Commerce Bank of Kirkwood, Mo. The new $1.1 billion-asset national bank will be based in Clayton, Mo., and will be the largest bank in St. Louis County, with 24 current locations and a potential 12 more.

Commerce Bancshares' comptroller, Charles Templar, said the mergers would increase efficiency and reduce operating costs, but he did not indicate whether the mergers would boost the holding company's earnings for 1985. "This is the first merger of such a size we've made," he said.

The first planned merger, in January 1984, folded five Kansas City banks into the Commerce Bank of Kansas City. In addition, there have been several two- and three-bank mergers in St. Charles and Jefferson counties and the St. Louis area. ■

This announcement appears as a matter of record only.

June 1, 1985

THE WYOMING NATIONAL BANK OF WILKES-BARRE

has been acquired by

MERCHANTS BANCORP, INC.

The undersigned served as financial advisor to
The Wyoming National Bank of Wilkes-Barre in this transaction.

ESTABLISHED 1832 JMS INC **Janney Montgomery Scott** INC

A Penn Mutual Company. SIPC Member of Securities Investor Protection Corporation.
MEMBER NEW YORK STOCK EXCHANGE, INC. AND OTHER PRINCIPAL EXCHANGES.

Philadelphia New York

The remaining outstanding interest of

Crocker National Corporation

has been acquired by
a wholly owned subsidiary of

Midland Bank plc

The undersigned assisted in the negotiations and acted as financial advisor to the Special Committee of the Board of Directors of Crocker National Corporation in this transaction.

Kidder, Peabody & Co.
Incorporated

American Banker

The Daily Financial Services Newspaper

VOL. CL NO. 110 | Thursday, June 6, 1985 | 150th Year

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BETHESDA MD 20814

TODAY

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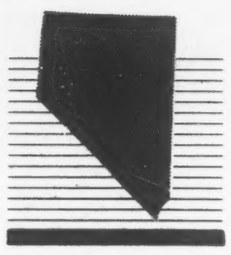

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Quote

The validity of this regulation should be affirmed by Congress and coupled with a law denying deposit insurance coverage to credit unions, banks, and S&Ls placing their excess funds directly in other insured institutions.

FDIC Chairman William M. Isaac, on a rule which would limit deposits placed by money brokers to $100,000 per broker per insured institution. [1]

Unquote

Uncertainty Hurting Brokers

Complaints Voiced as Regulators Urge Deposit Caps on Funds

By NINA EASTON

WASHINGTON — Even while regulators are urging Congress to limit the flow of brokered funds into banks and thrifts, money brokers are complaining that an uncertain regulatory atmosphere has already hurt their business.

William M. Isaac, chairman of the Federal Deposit Insurance Corp., and Edwin J. Gray, chairman of the Federal Home Loan Bank Board, told a Senate Banking subcommittee Wednesday that legislative action limiting brokered funds to financial institutions was necessary to protect the health of the federal insurance system.

A regulation issued jointly by the two agencies, limiting deposits placed by money brokers to $100,000 per broker per insured institution, was thrown out by a U.S. district court. A court of appeals upheld that decision early this year.

Despite that setback for the regulators — and Congress' failure so far to adopt legislative limits — money brokers are finding that many investors and financial institutions are shying away from brokered deposits.

Jorge H. Coloma, president of the Miami-based FAIC Securities Inc., said: "Since the proposed regulations were published, FAIC has suffered an irreparable loss of customers who have chosen not to place deposits through FAIC given the attitude of the regulators."

FAIC, which calls itself the largest insured certificate of deposit broker in the country, was the firm that sued the

➤➤ Brokers: Page 8

Goldman Sachs and Hanover Connect Systems for Commercial Paper Trades

By TOM FERRIS

NEW YORK — Goldman, Sachs & Co. and Manufacturers Hanover Trust Co. announced Wednesday they have linked their computer networks to make it easier for corporations to issue commercial paper.

The enhancement is available to companies that use Goldman Sachs as the dealer and Manufacturers as the issuing and paying agent. The promised result is faster and more accurate trading.

"The communications system we have set up with Goldman Sachs is truly unique," said Richard J. Matteis, a senior vice president of Manufacturers. "As far as we know, no one else has this capability on Wall Street today," said another official at the New York bank.

The new service fully automates the transfer of information between the issuing corporation, Goldman Sachs, which lines up the purchasers, and Manufacturers, which handles the operational end of the process, including the actual drafting of promissory notes on behalf of the issuer.

Previously, Goldman Sachs, the large investment banking house, typically relayed the information about commercial paper notes — including the par amount, term, rate, and net proceeds — to the issuing corporation by telephone. That firm would then input the data into a computer terminal

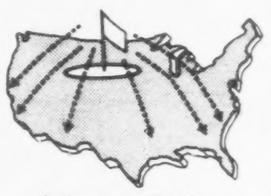
➤➤ Commercial: Page 9

Interstate Bill Passes First Hurdle

But Vote of House Panel May Be Reversed in Full Committee

By BARTLETT NAYLOR

WASHINGTON — Interstate banking moved one step closer Wednesday as a House subcommittee began hammering out the details of legislation that would enable banks to cross state lines.



Interstate Banking

By mid-afternoon, the panel had given preliminary approval to a plan that would permit states to form regional compacts for five years, allowing banks to merge or acquire banks within a specific region.

After five years, banks could acquire banks operating under any regional compact in the nation. A state could choose not to participate in any interstate banking.

Before taking a final vote on the legislation, the panel was expected to add tougher antitrust standards to banks because of the decision to go interstate.

The 18-12 preliminary vote by the House Banking subcommittee on financial institutions signaled the start of a lengthy congressional battle. It will be months before the full House and Senate act on any interstate banking bill.

The vote was hailed as a "significant step in the right direction" by John Rippey, a lobbyist with the Association of Bank Holding Companies, whose membership includes many large money center banks.

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"There is nothing sinister in so arranging one's affairs to keep taxes as low as possible. Everybody does so, rich and poor; and all do right, for nobody owes any public duty to pay more than the law demands: taxes are enforced exactions, not voluntary contributions. To demand more in the name of morals is mere cant."

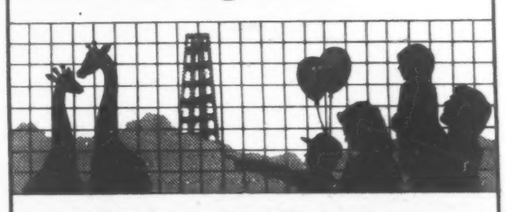
Judge Learned Hand

NUVEEN

John Nuveen & Co. Incorporated, Investment Bankers

Chicago, New York and Principal Cities

Wildlife is thriving in Indianapolis



The Indianapolis Zoo, the largest in the nation not supported by tax dollars, is going to get larger. By the late 1980's the zoo will have tripled its land size and increased its population 5 times when it moves to White River Park. By employing natural buffers such as land and water moats and rock formations this natural zoo will rank alongside the finest zoos in the country. In the spirit of expansion, American Fletcher, Indiana's largest bank, commends the effort of the Indianapolis Zoological Society.

AMERICAN FLETCHER NATIONAL BANK

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INDIANAPOLIS

Brokers . . .

Continued from Page 1

FDIC and the Bank Board over their joint regulation. Regulators frequently point to FAIC as a firm that invests its money in failing institutions.

Emanuel J. Falzon, president of Merrill Lynch Money Markets Inc., told a reporter after Wednesday's hearing that banks are less interested in accepting brokered funds because of the possibility that the agencies' regulation will be upheld on appeal.

Banks are concerned that if the regulatory agencies were successful in an appeal, they might enforce the rule back to Oct. 1, 1984 — its original effective date. "This is intimidating issuers," Mr. Falzon said.

In his testimony, Mr. Falzon also complained that a Bank Board proposal to force brokers to disclose the names of those individuals and institutions that actually own the money would create "such cumbersome and redundant record-keeping requirements that the market for S&L CDs would be severely undermined." The FDIC is considering a similar proposal.

Mr. Gray agreed that these regulatory efforts by the Bank Board and the FDIC to curb brokered deposits "did have a somewhat chilling effect on money brokering." However, he argued, "the heart of the problem and its potential for further mischief continues."

Officials at the two regulatory agencies have argued that money brokers funnel their funds into troubled institutions that offer high rates in an attempt to keep afloat. Brokers slice these funds into $90,000 to $100,000 chunks in order to take advantage of federal insurance, say regulators.

Fully insured brokered deposits have been found "in an alarming number of failed banks," Mr. Isaac said, costing the insurance fund millions of dollars a year.

At Wednesday's hearing, Mr. Isaac released a list of the top 25 suppliers of insured brokered funds to troubled banks backed by the FDIC. From the top, the list included Merrill Lynch & Co. ($771 million); Dean Witter Reynolds Inc. ($447 million); Prudential-Bache Securities Inc. ($131 million); the First Boston Co. ($115.5 million); Goldman, Sachs & Co. ($80 million); Professional Asset Securities ($67 million); and FAIC Securities Inc. ($44 million).

These figures were disputed by money broker officials testifying at Wednesday's hearing, and by Mr. Falzon in particular. And they continued to reject the view that brokered deposits contribute to the demise of banks and thrifts, pointing instead to faulty bank management and a cyclical economy.

"The brokered deposits did not bring about the trouble in these banks," Sen. Alfonse M. D'Amato, R-N.Y., who has been an ally of the money brokers, said during a heated exchange with Mr. Isaac. "That's nonsense."

Most of the members of a money broker panel testifying said that they routinely conduct detailed financial analyses of the institutions in which they place deposits. However, FAIC's Mr. Coloma said that adequate financial evaluations are impossible because of the lack of publicly available information on banks and thrifts.

Mr. Isaac and Mr. Gray asked the Senate panel to adopt by statute the same $100,000 limit that they had unsuccessfully attempted to impose by regulation.

"The validity of this regulation should be affirmed by Congress and coupled with a law denying deposit insurance coverage to credit unions, banks, and S&Ls placing their excess funds directly in other insured institutions," Mr. Isaac said.

However, Mr. Isaac also indicated that he would accept legislation capping an institution's brokered funds intake to 100% of the institution's capital. Such a cap would enable brokers to funnel nearly $190 million into insured accounts at banks. FDIC-insured banks now hold $24 billion in both insured and uninsured brokered deposits, Mr. Isaac said.

Mr. Gray forwarded a legislative proposal that would authorize federal banking agencies to classify deposit accounts and deny or limit insurance to certain classifications. The FDIC also would support such a legislative proposal.

The money brokers that testified before the Senate subcommittee on financial institutions and consumer affairs Wednesday indicated support for a bill sponsored by Sen. D'Amato and Sen. Mack Mattingly, R-Ga., that parallels a similar provision in the banking bill the Senate passed last year.

That bill would place no limit on long-term deposits but would limit an institution's ability to accept short-term brokered deposits to 15% of its total deposits.

Mr. Isaac said adoption of that bill would be worse than no legislation at all. "We can't afford that bill," Mr. Isaac said. "It's too expensive." ■

Top 25 Suppliers Of Fully Insured Brokered Deposits

		(000 omitted)
1.	Merrill Lynch*	$771,268
2.	Dean Witter Reynolds Inc.	447,000
3.	Prudential Bache Securities Inc.	131,406
4.	The First Boston Co.	115,500
5.	Goldman Sachs & Co.	80,000
6.	Professional Asset Securities	63,979
7.	FAIC Securities Inc.	44,395
8.	First Empire Funding Corp.	43,564
9.	The Calvert Group	41,665
10.	A.G. Becker	38,000
11.	Golconda Financial	31,650
12.	Shearson Lehman/American Express	28,700
13.	First United Fund LTD	28,100
14.	Paine Webber	27,003
15.	Salomon Brothers	26,000
16.	Jessup Group	26,000
17.	MKI Money Markets Inc.	20,000
18.	Harvey Baskin (CDX)	19,593
19.	Long Beach Savings & Loan Association	14,555
20.	TCD National Inc.	14,500
21.	Churchill	14,300
22.	Continental Money Markets Inc.	12,248
23.	Morgan Stanley International	10,000
24.	Garvin Guy Butler Corp.	10,000
25.	TCS Funds Brokerage	9,298

Source: Federal Deposit Insurance Corp. Based upon available survey data as of Feb. 28, 1985. The survey was limited to troubled institutions holding 5% or more of their deposits in fully insured brokered funds. The survey excluded direct placements by other insured banks, thrifts, and credit unions.

*Merrill Lynch disputes this figure but did not immediately provide a figure of its own.

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